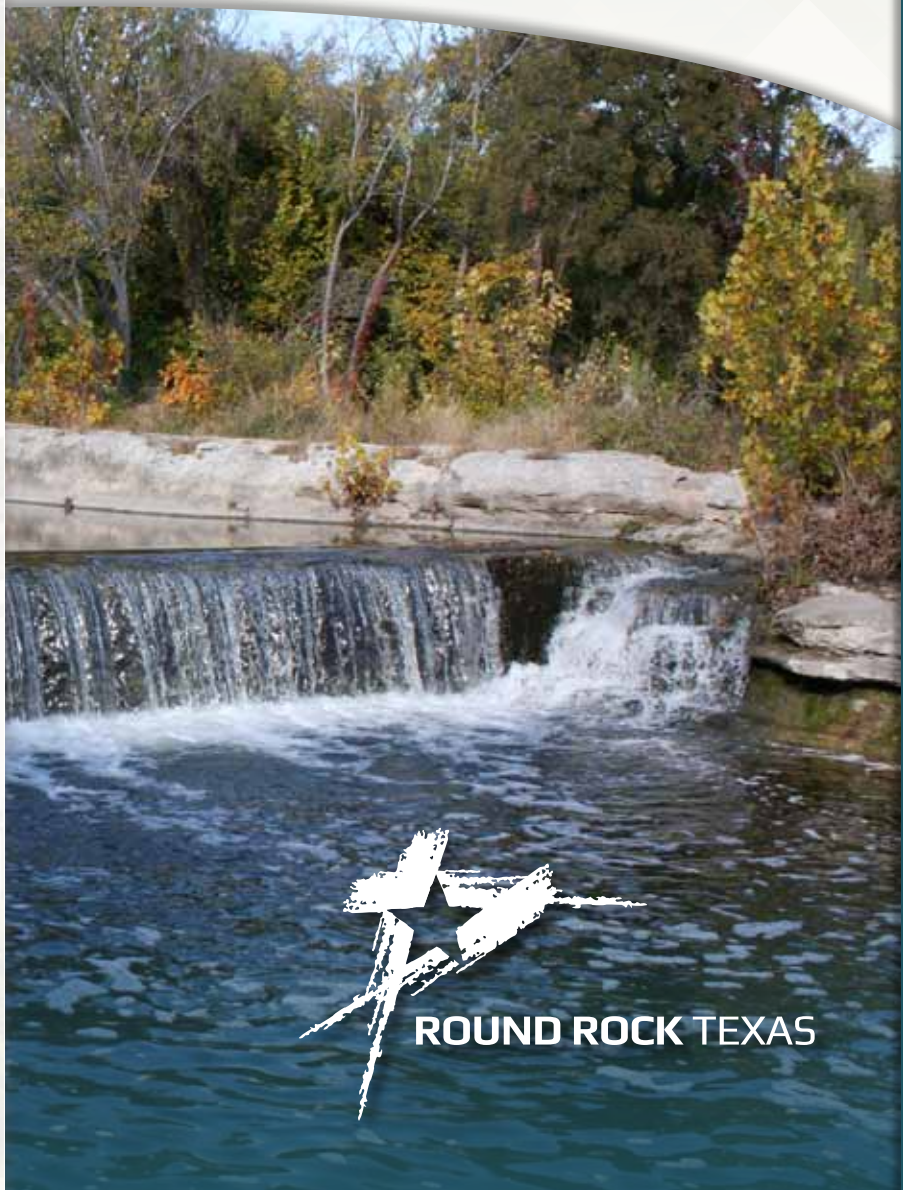


Budget Message

2015-2016

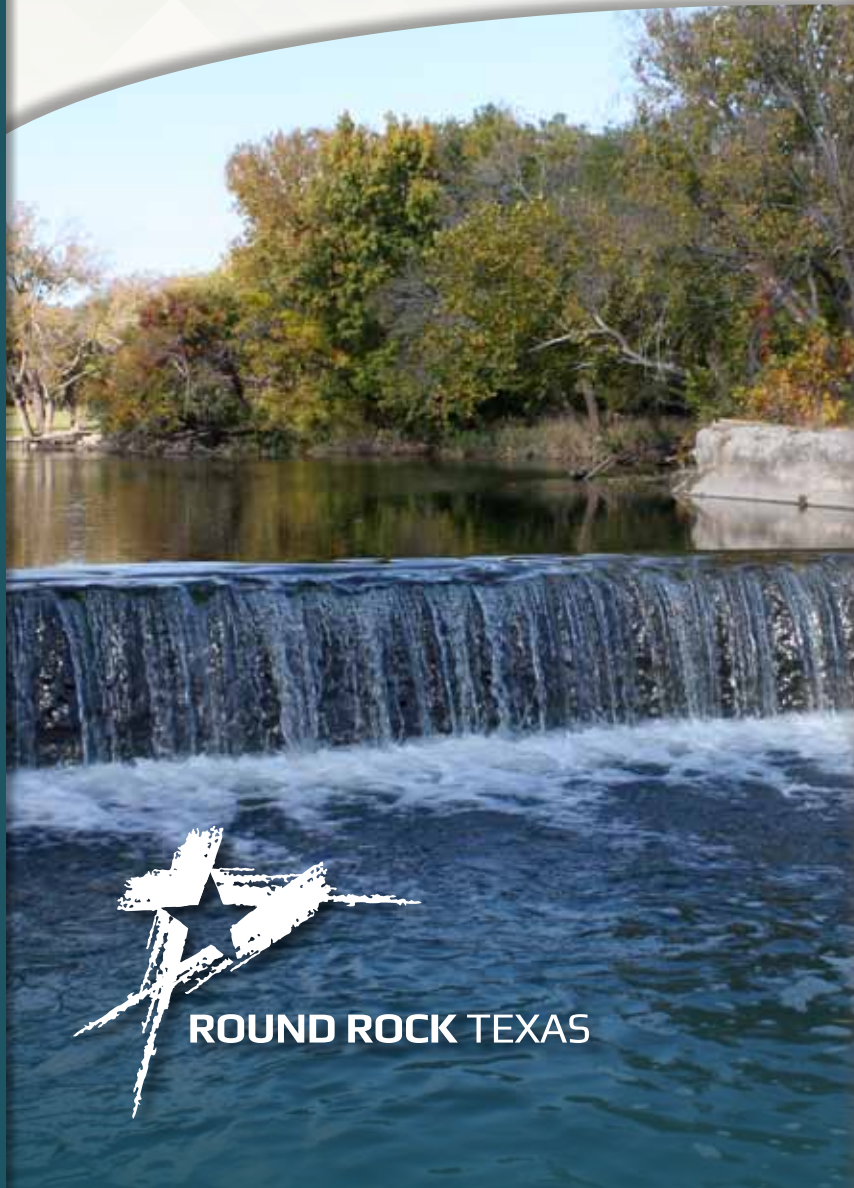


Budget Message

2015-2016



ROUND ROCK TEXAS





Budget Message

September 24, 2015

The Honorable Mayor, Mayor Pro-Tem and City Council
City of Round Rock, Texas

We are pleased to present the 2015/16 Annual Operating Budget for the City of Round Rock. The discussions that led to the creation of this budget represent significant changes in how we focus City resources and how they are presented for Council consideration and deliberation.

Round Rock continues to be one of the fastest growing cities in the U.S. Indicators show that both the regional and Round Rock economies remain healthy in economic activity and continue to experience population growth. This growth has placed pressures on City resources, consequently, the City must respond to this increased demand for services. Two primary questions were addressed in the creation of this budget.

- Strategic Direction: Do the resources, projects and programs presented meet the near-term and long-term direction of Council and the community?
- Fiduciary Review: Does the review of general economic and growth trends, revenues, rates, expenditures, and reserves meet the high standards of fiscal stewardship the Council and community expect?

Presented herewith is the City Manager's adopted budget for fiscal year October 1, 2015 through September 30, 2016. The annual budget includes all City resources to meet Council's strategic plan and the six goals that guide that plan. The total adopted budget of \$311.7 million includes operations and capital infrastructure.

Council Strategic Goals for 2015/16

At the February 2015 retreat, Council affirmed and prioritized six long-term goals for Round Rock:



Budget Message

New Approach for 2015/16

For the 2015/16 budget and 5 year capital planning, a new process and approach was added. The philosophy for this budget is to combine the strategic plan with the annual financial plan that includes both operations and capital improvements. The goal is to present one transparent message. This new approach continues the long-standing strategic planning and goal setting undertaken by the Council each February.

- New Linkage
 - Align budget with Council goals
 - Focus on outcomes
- New Process
 - Collaborative executive team review with City Manager
 - One-time funding allocated as part of the summer budget process
- New View
 - Full picture of all City resources and uses
 - Capital Improvements Program (CIP) overview

2015/16 Budget Drivers

During the creation of this adopted budget, the City Manager and Executive team focused on various budget drivers in the decision making process.

- Addressing Council strategic goals
- Meeting the demands of growth with additions to maintain service levels
 - Projected population growth – 105,405 to 113,968, or 8.1%
- Biennial citizen survey results
- Voter authorized G.O. debt to expand programs and services
- Transportation C.O.s to address roadway and traffic issues
- Debt payments for these new projects
- Competitive employee compensation & benefits
- Maintenance of parks, facilities and streets
- Compliance with financial policies

Budget Overview by The Numbers

Priorities addressed in this budget are to provide adequate funding to maintain service levels in the midst of population growth and to meet the expectations of a larger community. The highlights of this budget are listed below to meet the growing needs of the City as a whole.

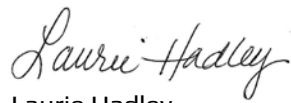
Total Adopted Budget for 2015/16	\$311.7 Million
- General Fund	\$97.4 Million (2.1% increase)
- Total CIP	\$136.8 Million
- All other	\$77.5 Million
Tax Rate – unchanged	\$0.41465
Total Taxable Valuation	\$10.5 Billion
Utility Fund	Wholesale rate increase in Oct 2015
	Retail rates up 2.6% in January 2016
New Staff	16.0 (General Fund13, Drainage 3)
Staffing adjustments	7.5 (Convert long-term temps to FTEs)
Fleet replacements	\$2.5 million in General Fund
	\$839,000 in Utilities
New Vehicles	2 – Drainage and Fire

Conclusion

We believe the adopted budget reflects a fiscally responsible approach to improving the City's current infrastructure, and meets the current demands while maintaining the City's strong financial position. Attention has been given to preservation of the City's infrastructure and development of new service programs with an entrepreneurial spirit. This budget builds on the high customer satisfaction ratings and the prudent strategies implemented to diversify our economic base. We envision this adopted budget as a firm cornerstone in the City's future economic development and high quality community.

We wish to thank all of the departments and staff members who contributed effort, time, and team spirit in the development of this budget. Special thanks are extended to all members of the Finance Department who contributed to this document.

Sincerely,



Laurie Hadley
City Manager



Bryan Williams
Assistant City Manager



Brooks Bennett
Assistant City Manager

Budget Overview by Strategic Goals

Each February, Council reviews the City's successes and challenges and refines both the short term and long term strategic goals for the City. These goals set the direction for staff and financial resources and are the basis for this budget. Council sets the goals in priority order and gives staff direction. This budget addresses those goals. The program highlights included for 2015/16 are summarized by goal.

1. Financially Sound City Providing High Value Service

Planning Technician (Temp to FTE conversion)	\$ 36,000
General Services (2 FTEs)	\$145,000
- Small Engine Mechanic	
- Facilities Maintenance Technician for PD	
- Upgrades and training	
Annual Facilities Repair & Replacement	\$750,000
Technology Internal Service Fund	\$750,000
Financial planning, policies & process	\$ 25,000
- Plus staff time and repurposed FTEs	
Employee Comp & Benefits	
- Health insurance – 10% increase expected	\$636,000
- Public safety steps	\$480,000
- Fire market salary adjustments	\$470,000
- Merit and market adjustments	funded in 14/15
Utility Billing Software	\$250,000



2. City Infrastructure: Today and for Tomorrow



Water Infrastructure	\$ 8.3 million
Wastewater Infrastructure	\$ 9.3 million
Drainage Infrastructure	\$11.1 million
Roads/Streets Infrastructure	\$43.2 million
Utility Master Plan updates	in process
Transit Master Plan update	in process
NE Quadrant planning	staff efforts

3. "Sports Capital of Texas" for Tourism & Residents



Old Settlers Park Multipurpose Field Complex	\$ 27 million*
- National/Regional facility with/ 10 fields, tournament rooms & championship site	
Sports Center Family Pavilion	\$1,325,000
- Complete December 2015	
Golf Course	\$2,000,000
- Improvements	
- Operations/ownership evaluation	
Rock'N River Expansion (1 FTE)	
- Facility expansion	\$8.1 million*
- Staff & operations for Summer 2016	\$ 329,000
- New revenues estimated	\$ 450,000
Parks & Recreation – Rec Center Weekend Team	\$ 53,000
- 3.75 temporary to FTE adjustment	
Parks & Recreation staffing study implementation	\$ 400,000
Other Parks & Recreation Infrastructure (Trails, Softball, etc.)	\$ 15 million*



4. Great Community to Live



Fire Station Construction	\$ 9.9 million*
- Lisa Rae & Red Bud	
- In process, complete Oct. 2016	
Public Safety Training Facility	\$26.4 million
- In design, complete May 2018	
Regional Animal Shelter	\$ 300,000
- Design/construction documents – City's share	
Fire	
- Shift Battalion Chiefs (3 FTEs)	\$ 466,000
- Paramedic Advance Care Program	\$ 426,000
- 911 Automated Dispatching System	\$ 470,000
Police	
- 911 Call Takers (5 FTEs)	\$ 362,000
- Public safety radio replacement (multi-year)	\$ 400,000
- Body worn cameras	\$ 402,000
Library online services and materials	\$ 55,000

5. Authentic Downtown – Exciting & Community Destination



Downtown Branding - Right. At Home.	\$ 50,000
- Downtown signage and advertising	
Art Initiatives	\$ 10,000
San Saba Street completion	\$ 400,000
Downtown roadway project	\$16.8 million
- Complete by year end 2016	

6. Sustainable Neighborhoods – Old and New



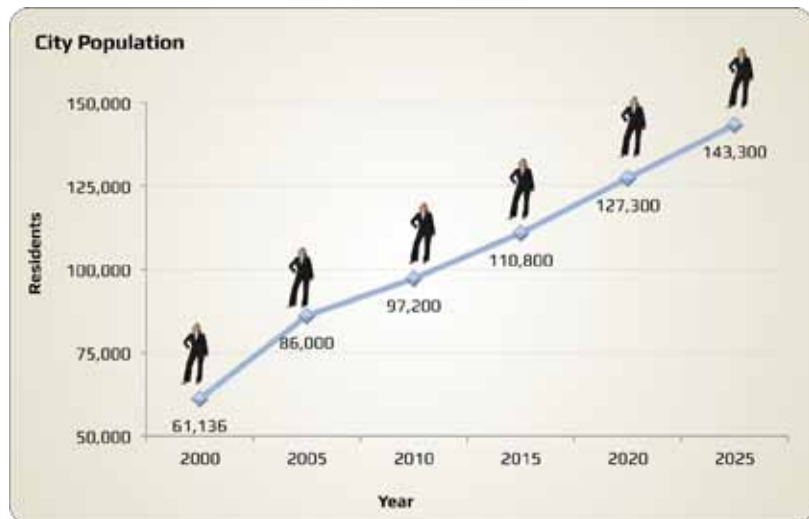
Neighborhood programs	\$ 64,000
Annual Parks & Recreation Repair & Replacement	\$ 750,000
Transportation	\$ 225,000
On Call Paving Contract	\$ 250,000
Drainage Crew (3 FTEs)	\$ 204,000

*General Obligation bond projects authorized by voters in November 2013

Economic Trends, Successes and Outlook

Round Rock continues to see strong population and business growth. As the largest city in Williamson County and part of the Austin Metropolitan Statistical Area (MSA), Round Rock is a key part of one of the fastest growing areas not just in Texas, but in the US. As Texas moves forward cautiously due to declining oil prices, the Central Texas area's geographic and economic distance from the oil industry has insulated it from any major impacts.

Unemployment continues to be well below the national average. The unemployment rate for the City is 3.2%, and remains lower than the Austin metro area rate of 3.3%, the statewide rate of 4.5% and the national rate of 4.8%. The Austin MSA has one of the lowest unemployment rates among the nation's 100 largest metro areas. Hiring continues to outpace the nation and job creation was led by professional and business services. Education and health sectors also saw an increase in jobs in the area.



Residential and commercial real estate activity in the City is continuing to grow. Residential permits are expected to grow from 327 single family units in 2014/15 to 686 units in 2015/16. After the 2008 downturn, much of the Round Rock area residential growth occurred just outside the city limits, primarily in Municipal Utility Districts (MUD). However, several new residential developments have opened within the incorporated city limits spurring significant residential growth.

	FY 2015 (units)	2016 (units)
Townhomes	154	361
Multi-Family	884	850
Single Family	327	686
*All in varying stages of permitting & construction	1,365	1,897

The City understands that diversification of Round Rock's economy is a key to financial stability. The local retail market place continues to thrive. The major destination retail hubs provide continued expansion and broaden Round Rock's economy. These include Round Rock Premium Outlets, which provides over 430,000 square feet of retail space containing 125 stores in an outdoor village setting and a movie theater. Adjacent to the outlets is a shopping center featuring IKEA along with other national and regional retailers. Bass Pro Outdoor World, LLC opened a 100,000 square foot facility in June 2015 and employs approximately 175 employees.

Round Rock also continues to see significant growth in the medical industry. Round Rock is home to several hospitals offering comprehensive healthcare services. In order to keep up with population growth, these providers have expanded their facilities and services making Round Rock a major healthcare destination.

Budget Message

To complement the healthcare activities, Round Rock is home to several higher education facilities, many of which focus on healthcare disciplines. The City recognizes that a highly educated workforce is an important component of a well-rounded economic foundation. Several educational facilities such as: Texas A&M Health Science Center, Texas State University, Austin Community College and the Art Institute call Round Rock home.

The Texas Legislature passed a tuition revenue bond in the 84th legislative session. The passage of the \$48.6 million bond bill will allow Texas State University to expand its existing health professional buildings in Round Rock. It is the goal of Texas State to move its entire health professions department to the City. The new health professional building will include 107,000 square feet and will provide space for a 35 percent enrollment increase in health professions programs. The bond bill will not fund the total cost of construction, therefore the university will rely on philanthropic gifts, a \$5 million donation has already been received from the St. David's Foundation.

Additionally, the City Council has approved several economic development agreements in recent months. The resulting economic expansions have created new jobs, modernized work equipment and/or brought new services to Round Rock.

Economic highlights include:

Bass Pro Outdoor World, LLC	Build a 100,000 sq. ft. building Opened June 2015 Employs 175 full/part time staff
Thermasol, subsidiary of D.M.A Enterprises	Develop a 27 acre upscale business park Locate World Headquarter to anchor business park Create 45 full time jobs
Insys Therapeutics	Employ 30 additional employees over four years
South Education – Texas, LLC	Employ 38 FTEs with an additional 17 over ten years 10 year lease of 45,000 sq. ft. campus
Houghton Mifflin Harcourt	100,000 sq. ft. Class A office space in La Frontera Create 270 full time jobs
Odyssey Technical Solutions, Inc	Purchase property and invest \$4m in improvements Transfer 48 full time jobs and create 7 new jobs
Airco Mechanical	400 jobs

The long standing partnership between the City and Round Rock Chamber of Commerce continues to attract new development to the City. The City will see new additions within the city limits in the next year.

Airco Mechanical, a commercial and residential heating, ventilation and air conditioning service provider will relocate its central Texas headquarters to Round Rock. The company will bring 400 new jobs and is investing millions of dollars in the rehabilitation of an existing facility in Round Rock. The new headquarters is revitalizing a 47,000 square foot vacant building located on the Interstate 35 frontage road.

Odyssey Technical Solutions, LLC which is currently located in the City's extraterritorial jurisdiction will be relocating their operations into a larger facility within the city limits of Round Rock. Odyssey is the leading repairer of equipment primarily used in the semiconductor manufacturing industry. They are investing \$5.4 million in land, building, and personal property and will move all current employees to the new location.

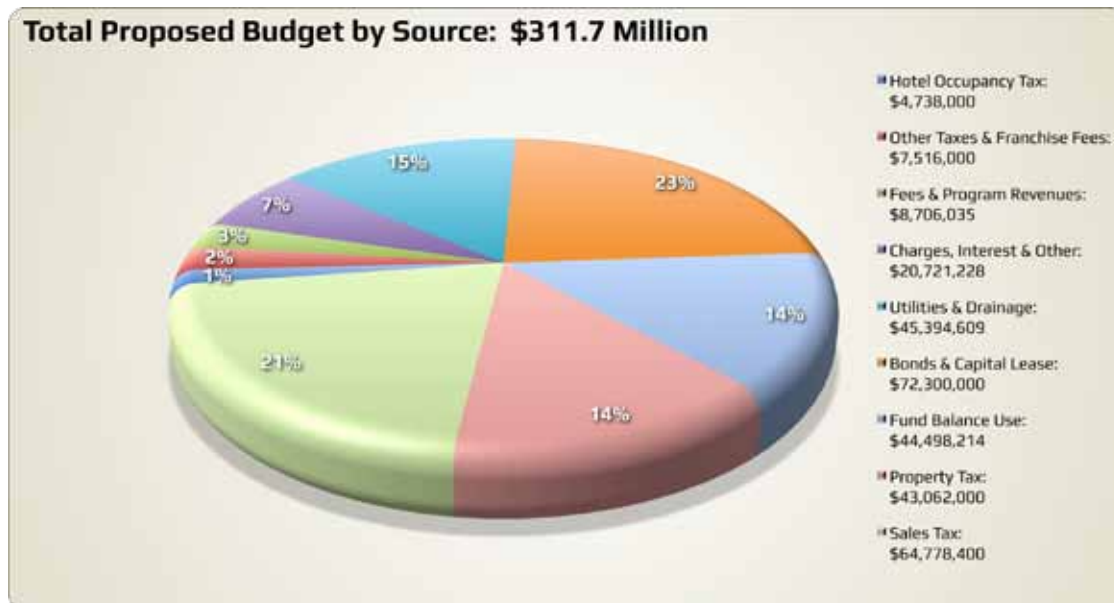
Houghton Mifflin Harcourt (HMH) is relocating its Texas regional office to Round Rock. HMH is a leading provider for pre-K-12 education content, services and cutting-edge technology solutions. The project will bring over 270 new jobs and will be the main tenant in a new 100,000 square foot Class A office building. The relocation is estimated to be complete in July 2016.

Financial Review

The development of the budget is guided by the Council's strategic goals, prevailing economic conditions, and the continuing need to provide basic services for a growing population. Round Rock continues to be one of the fastest growing cities in the nation. Indicators show that both the regional and Round Rock economies remain healthy in economic activity and continue to experience population growth. This growth has placed pressures on City resources. Consequently, the City must respond to this increased demand for services. Two primary priorities addressed in this budget are: sufficient funding to adequately provide core operating services in the midst of population growth; and tailor City services to better meet the needs and expectations of a larger community.

Revenue Assumptions

Revenue assumptions in general for the 2015/16 fiscal year are expected to follow the growth curve of job creation, population growth, retail sales, and housing starts. Fees for programs and services such as planning and recreation are reviewed every two years to evaluate cost recovery and competition within the Central Texas area. Other revenues, such as property and sales tax revenue, are forecast using specific calculations as discussed below.



Property Tax Rate and Property Tax Revenue

To fund operations, such as police services, streets maintenance, fire protection, library services, parks and recreation, and debt service on outstanding debt, the City levies a tax on all taxable property.

	2014/15 Actual	2015/16 Adopted	Change
Taxable Assessed Valuation	\$9,634,156,426	\$10,492,085,922	8.91% increase
Tax Rate per \$100 of valuation	0.41465	0.41465	Unchanged
Effective Tax Rate	0.38473	0.38453	

The 2015/16 taxable assessed value is \$10.5B, which is an increase of 8.91%. The adopted budget maintains a tax rate \$0.41465 per \$100 of valuation. Under this budget, the adopted rate is above the effective rate of \$0.38453 per \$100 which results in a tax increase of 7.83%. An important Council top strategic goal – “Financially Sound City Providing High Value Services” is to continue reasonable tax rate increases to improve the revenue stability of the General Fund while maintaining a competitive, affordable community. Round Rock continues to have a property tax rate that is among the lowest of any medium-to-large cities in the state, including those cities with an additional ½ cent sales tax for property tax reduction.

Sales Tax Collections

An underlying budgetary influence is that the City’s business model has approximately 20.8% of total revenues provided by sales tax. A half-cent component of the two-cent local sales tax rate exists for the sole purpose of reducing the property tax rate. The result is a heavy reliance upon the sales tax as a revenue source and reduced reliance upon the property tax. The sales tax is a less stable revenue source than the property tax, but provides more discretion to the taxpayer. Because of this revenue makeup, the City tends to carry higher fund balances, estimates sales tax revenue conservatively, and introduces new programs somewhat more cautiously until projected revenue levels are attained. The City is also more attentive to the health of its economy because of the reliance upon commerce to produce the sales tax.

The City’s economy is expected to generate approximately \$64.8 million in sales tax revenue for fiscal year 2016. This amount includes the ½% or \$16.3 million in additional sales and use tax for roads and economic development. The remaining 1 ½% is projected to generate \$48.5 million for general operations, property tax reduction and capital projects.

The sales tax revenue source is extremely important to the City in that it reduces property taxes and makes up approximately 50% of the General Fund revenue. The sales tax revenue is subject to economic cycles and discretionary buying characteristics of the consumer and, accordingly, must be monitored and projected carefully.

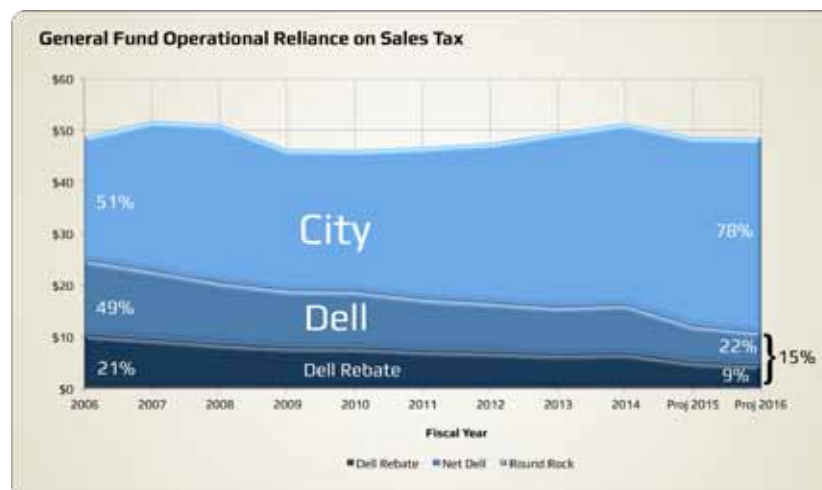
In addition to the influence of Dell, Inc. on the Round Rock economy, economic activity of the Round Rock Premium Outlets, Bass Pro Shops, IKEA, and the expansion of the medical and education sectors in the community, continue to strengthen and diversify our economic base.

Dell, Inc. and Financial Management Policy

Dell, Inc. continues to be a vital part of the Round Rock economy with 4 of its 5 worldwide operating divisions headquartered in Round Rock. The company has shifted from primarily a computer manufacturer and seller to a global technology services provider. While this shift has led to declining sales tax revenues for the City from Dell, the high level jobs provided by the City's largest employer has continued to provide a strong local economy. In recognition of this business shift and in order to ensure long-term economic stability for the City, the City adopted a Financial Management Policy in 2009.

The policy was directed at reducing the General Fund's operational reliance on sales tax generated from Dell, Inc. The Policy's goal was to reduce operational reliance on Dell, Inc. sales tax to 20% of total sales tax collected by 2017. This 2015/16 budget achieves that goal. The City's General Fund reliance on net sales tax revenue from Dell, Inc. is 15% and is considered met with this budget.

- While the City has reduced its reliance on Dell receipts, the non-Dell portion has grown from \$23.8 million in 2006 to a budgeted \$37.8 million in 2016.
- Overall sales tax collections for the City have remained flat over the past ten years with \$48.7 million received in the General Fund in 2006 and \$48.5 million expected in 2016.
- The reduced reliance on both Dell and Sales Tax in general does make the City's finances less volatile for the future.

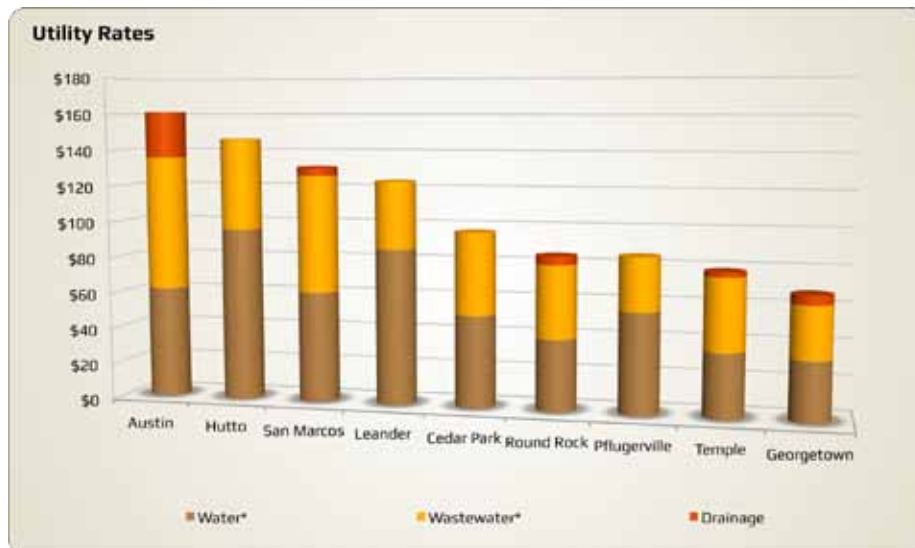


Water/Wastewater Revenues

The Water and Wastewater Utility operations are funded primarily through user fees. The City's utility infrastructure and service delivery systems have been carefully planned and have sufficiently met demand for a growing customer base. Water sales are conservatively estimated using customer base projections, while at the same time taking into account changing weather conditions. Effective January 2016 residential customers will see an average increase of 2.1% for water and wastewater rates. Water conservation and drought contingency programs continue to help the City conserve existing water sources. Round Rock water and wastewater rates continue to be among the lowest in the area. Wholesale water rates will increase October 1, 2015. The City's wholesale customers make up approximately 15% of its revenues.

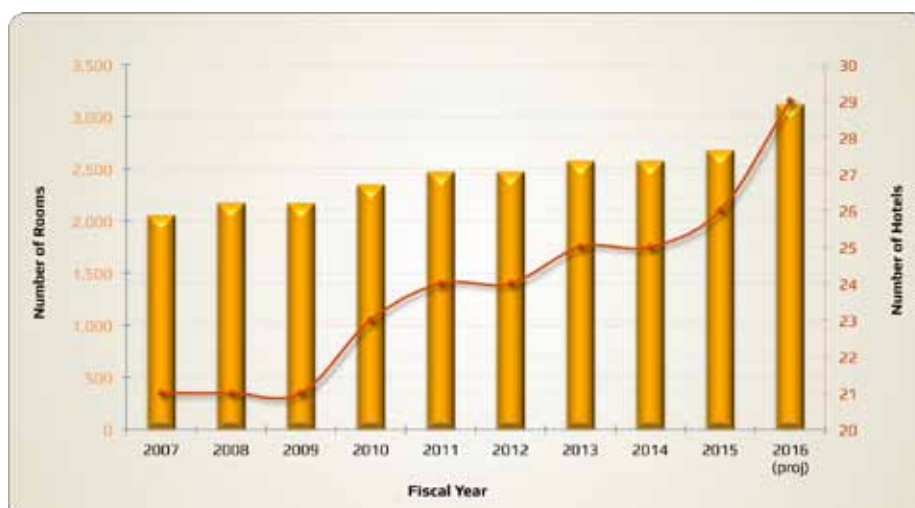
Drainage Revenues

The Drainage Fund was established in 2011. It collects fees based on a property's impact to the City's drainage system. The drainage fee is \$4.75 per Equivalent Residential Unit (ERU) to fund maintenance, state and federal compliance costs, debt requirements and drainage CIP. There are no rate changes for drainage are being proposed for 2015/16 fiscal year.



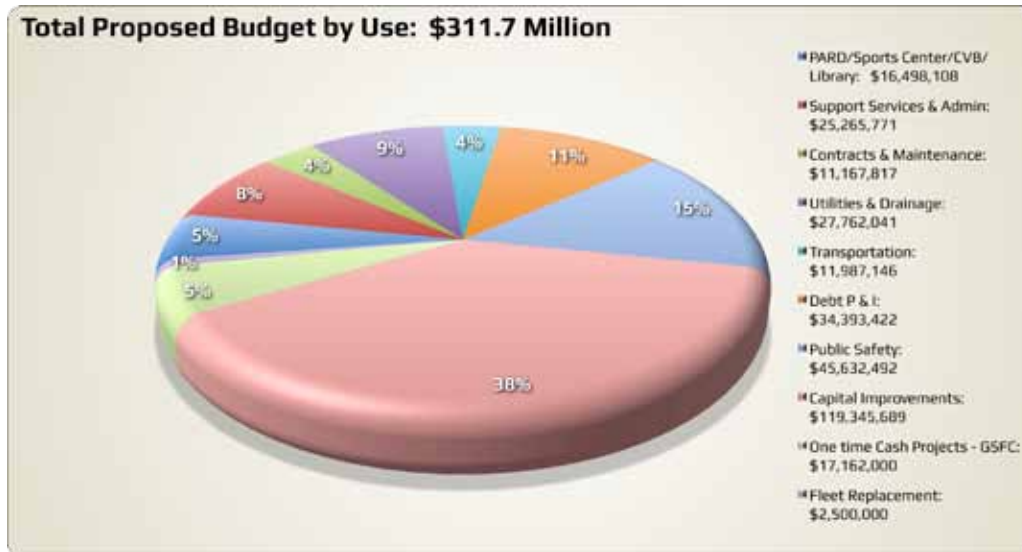
Hotel Occupancy & Sports Center Tax Revenues

The local hotel/motel industry continues to be a particularly vibrant industry for Round Rock. Currently, 26 hotels with 2,711 rooms are open for business maintaining solid occupancy rates of 75.8%. There are three hotel developments that are in various stages of completion and by the end of fiscal year 2016, 438 new rooms will be added. This strong industry bodes well for the hotel occupancy tax collections which support local tourism events and debt service for the Dell Diamond/Convention Center, the home of the City's Triple A Baseball team, the Round Rock Express and the Sports Center, the City's 82,800 square foot, indoor sports venue opened in January 2014. With several area sports facilities in place and statewide events being planned, Round Rock continues its marketing strategy as the "Sports Capital of Texas." Tourism is an expanded component of the City's overall economic development strategy. The City's efforts were recently recognized by the Major League Baseball as the number one "Best Minor League Baseball Towns of 2015".



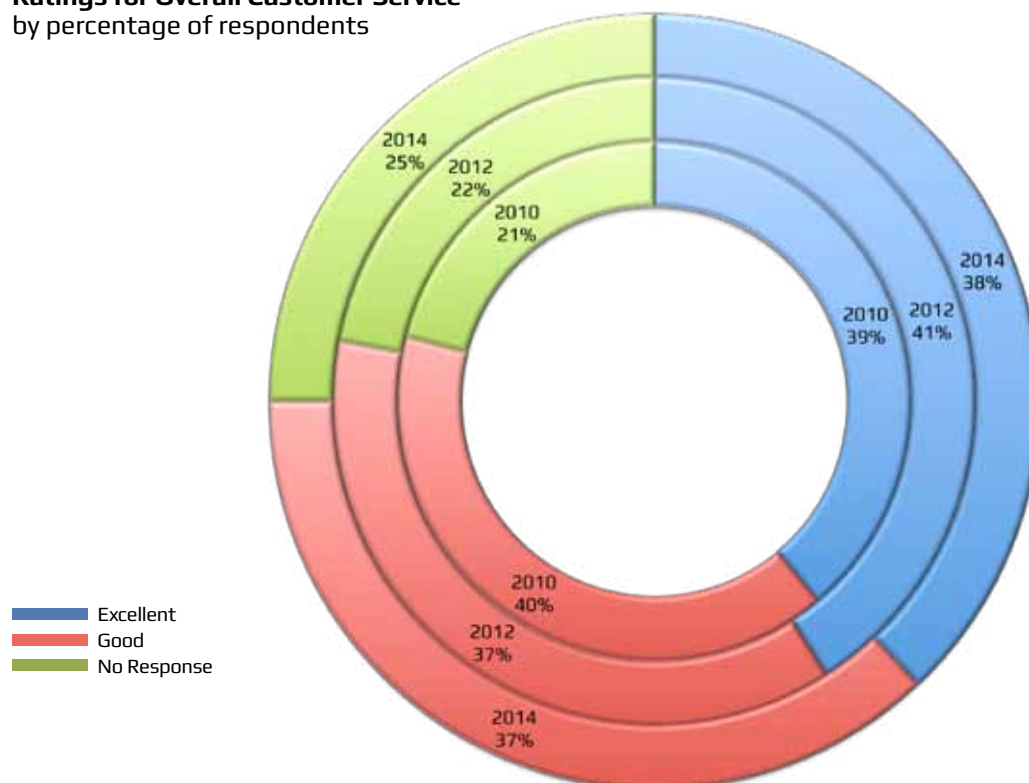
Expenditure Review

Total budget for 2015/16 is \$311.7 million. This adopted budget includes operations, debt service and capital projects for the City as a whole. Operations total \$138.3 million, which is 44.4% of the total budget. Debt service is \$34.4 million and city wide capital improvement projects and equipment replacements total \$139 million.



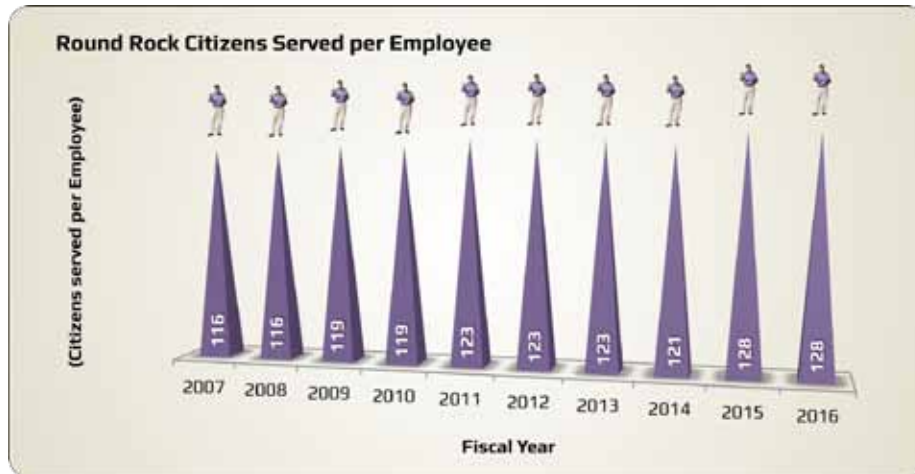
The City remains focused on high quality and efficient services. The high quality is measured using biennial citizen surveys to ensure staff and programs are meeting community needs and expectations.

Ratings for Overall Customer Service by percentage of respondents



Budget Message

One of many ways the City gauges its efficiency is to carefully monitor its citizen's pre employee ratios.



Personnel

Priorities addressed in this budget are to provide adequate funding to maintain service levels in the midst of population growth and to meet the expectations of a larger community. In order to continue to meet the growing demand, this budget includes additions to citywide staffing levels.

The City supports a staff of 891.25 approved full-time equivalent employees (FTEs) allocated among the operating departments. This adopted budget includes a net increase of 23.5 FTEs over last year's total of 867.75.

New positions adopted in this budget for the upcoming year are presented below and additional details can be found in the operating department budgets.

Fund/Department	FTEs added	Position
General Fund		
Fire	3	Shift Battalion Chief
General Services – Fleet	1	Small Engine Mechanic
General Services – Maintenance	1	Maintenance Tech for Police
Parks & Recreation	1	Aquatics Personnel
Police	5	Call Takers
Transportation	2	Crack Fill & Concrete Crew
Temporary to FTE conversions	6.75	Various
Drainage Fund		
Drainage	3	Drainage Crew
Water/Wastewater Fund		
Temporary to FTE conversion	.75	Utility Billing Customer Svc
TOTAL	23.5	

Personnel Compensation

The City understands the need to provide employees with competitive compensation rates. After the completion of a city-wide compensation analysis, salaries were adjusted to reflect current market wages. Merit and market adjustments for non-public safety employees were funded in 2014/15. This budget includes approximately \$950,000 for funding for public safety steps and fire market salary adjustments.

Texas Municipal Retirement System (TMRS)

The City provides pension benefits for all of its full-time equivalents through the state-wide Texas Municipal Retirement System. Along with the employee contributions, the City has allocated approximately \$8.4 million in this adopted budget for funding of retirement benefits for employees. The City's funded ratio remains strong at 89.2%.

Self-Funded Health, Dental and Vision Plan

The City provides a self-funded health, dental and vision plan which was originally created in 1993. The City updates the plan periodically to address the needs of its employees. By reviewing the marketplace and updating the plan design, the City has shown cost savings throughout the years. Total health plan funding is scheduled at \$7.6 million, this includes a City health clinic, free of charge to City employees and their covered dependents started in July 2014.

Educational Assistance

In an effort to allow employees the advantage of further education, the City offers all full-time employees up to \$2,000 per year in educational assistance. This budget includes approximately \$57,000 for the upcoming year.

Program Highlights by Fund

In addition to the personnel additions, other programs and funding were added to further enhance the services the departments provide. The following information shows additional operating funds approved by Council by fund.

General Fund

- Administration – Art Initiatives, summer children's programming, elections and neighborhood services
- General Services – Enhancements to vehicle maintenance operations, staff development and auto registrations
- Library – Overtime and additional on-line service for patrons
- Parks & Recreation – Operating expenses and staffing for the Rock'N River expansion
- Transportation – Roadway lighting maintenance contract and traffic management center system upgrade

Type B Fund

- Administration – Downtown initiative for economic development
- Transportation – On call paving contract

Water and Wastewater Fund

- Water – Supplies for treatment plant and maintenance and additional staff training
- Wastewater – Training and development for staff
- Administration – Training and development for staff and the purchase of a plotter
- Utility Billing – Phase 1 implementation of a new customer information and billing system

Citywide Programs

It is important to have practices established that help keep the resources and assets of the City well maintained. The following citywide programs provide the funding necessary to support this need. Program costs are charged directly to each fund.

Fleet and Equipment Replacement Program

Funding of \$2.5 million in the General Fund and \$839,000 in the Utility Fund is provided in this budget for the continuation of the fleet and equipment replacement program. The program has made significant changes to determine the needs of the departments. The age and mileage of the fleet and equipment are closely tracked to determine what needs to be replaced and what can be held back. As a result of this close evaluation of the fleet, only two vehicles are being added in 2015/16. The replacement in the 2015/16 make significant studies to reduce maintenance and costs.

Maintenance of City-Owned Buildings and Equipment

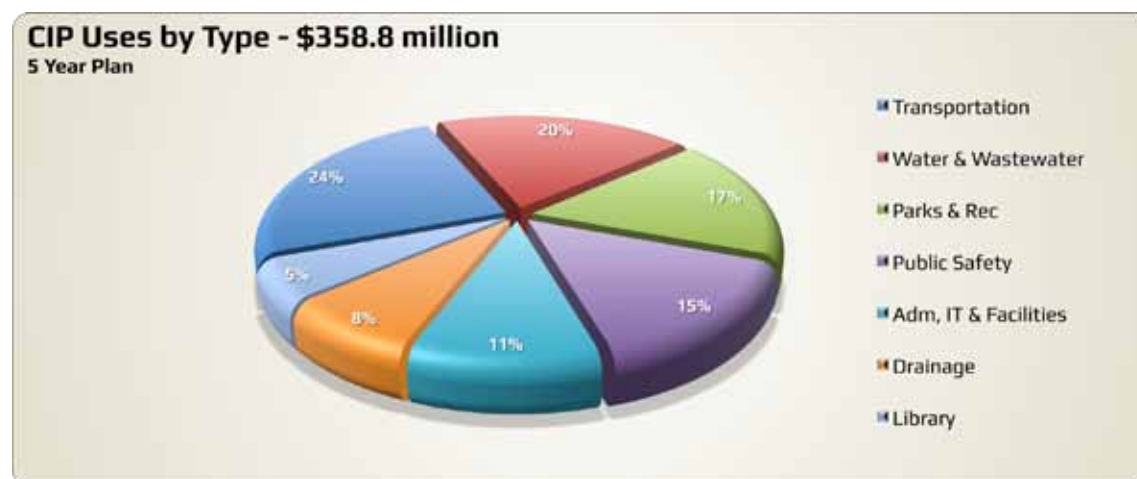
The City has a substantial investment in buildings and equipment. These funds are used for major repairs, replacements and minor renovations to the City's buildings. There are currently forty-six city buildings. The budget includes \$750,000 to maintain and repair those facilities, improve reliability and the City's fleet.

Information Technology Replacement Upgrade Programs

This budget provides \$750,000 in funding for the City's ongoing technology replacement program. The program focuses on all aspects of the technology needs of the City such as document imaging, software, hardware, fiber optics and cloud infrastructure.

Capital Improvement Projects

Capital projects scheduled for the upcoming year have been funded by cash and various debt issues. The Capital Project Fund tab provides a detailed presentation of the General and Utility Capital Improvement projects and operational impacts for the next five years. The total of capital improvements projects for 2015/16 is \$136.5 million and is the 1st year of a 5 year program to enhance and expand the City's infrastructure. Included in this total, are projects from the 2013 voter authorized general obligation bond issue, transportation improvements and utility system expansion and improvements.



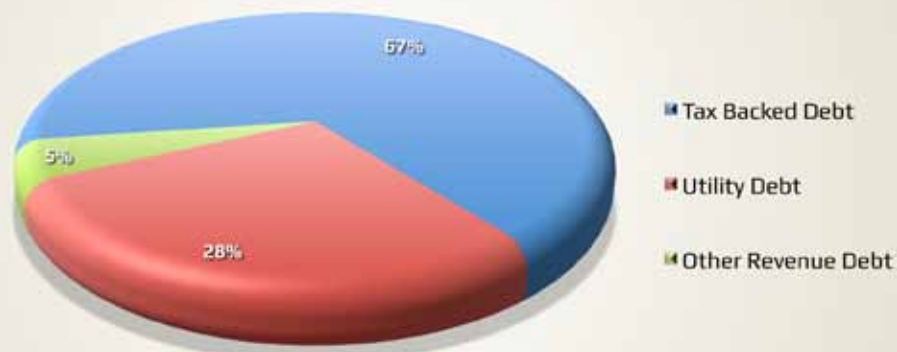
Bonded Debt and Debt Service

City of Round Rock Credit Ratings	
Agency	Rating
General Obligation	
Standard & Poor's	AA+
Moody's	Aa1
4B	
Standard & Poor's	AA
Moody's	Aa3
Fitch	AA
Utility	
Standard & Poor's	AA
Moody's	Aa2
Hotel	
Standard & Poor's	A
Moody's	
Fitch	A+
BCRUA	
Standard & Poor's	AA-
Moody's	Aa3

This budget includes funding for scheduled debt service on maturing general obligation bonds, certificates of obligation, revenue bonds, and contractual obligations. The debt service component of the adopted property tax rate is sufficient to meet debt service obligations for the next fiscal year.

The debt service component of the property tax rate generates revenue to pay current maturities of all general obligation debt issues. The existing debt level combined with the scheduled current year activity will not have an adverse or limiting effect on the City's current or future operations. Substantial growth in the City's population not only requires infrastructure and capital improvements as described herein, but also must provide sufficient debt financing margins. A complete schedule of outstanding debt obligations, their purpose and related debt service is included under the Debt Schedules Tab of this document.

Principal and Interest on Debt - 2016



Budget Message Financial Policies

The City of Round Rock has an important responsibility to its citizens, taxpayers, ratepayers, and all customers to carefully account for public funds, to manage the City's finances wisely, and to plan for the adequate funding of services desired by the public. To facilitate this responsibility, certain financial policies have been developed and implemented. These policies, as itemized below, are adhered to within this budget plan.

Fund Balance/Working Capital

It is the policy of the City to maintain a General Fund balance equivalent to at least 33% of operating expenditures. Working capital in the Water/Wastewater Utility Fund, net of restricted assets/liabilities is also maintained at a similar level. This adopted budget adheres to these policies for these funds. The Interest & Sinking G.O. Bonds Fund maintains a fund balance in compliance with federal arbitrage regulations. Balances in excess of the above levels are earmarked for future uses or reduced to the target levels over an appropriate length of time.

Financial Management Policy

The City has developed a financial management policy directed at reducing the General Fund's operational reliance on sales tax generated from Dell, Inc. The policy's goal was to reduce operational reliance on Dell, Inc. sales tax to 20% of total sales tax collected by 2017. The 2015/16 budget achieves that goal by which reliance on net sales tax revenue from Dell, Inc. now 15% of total sales tax revenue.

Debt Issuance Policy

There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter (Article XI, Section 5, Texas Constitution), approved by the voters, that limits the maximum tax rate, for all City purposes to \$2.50 per \$100 assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation debt service. The City's current debt tax rate is \$0.16019 / of the total \$0.41465, or only 10.7% of the Attorney General Limit. Certificates of obligation, revenue bonds, and various forms of contractual obligations may be issued by the City without voter approval, while general obligation bonds may be issued with voter authorization. The City has not established firm debt limitation policies beyond the tax rate limit mentioned above, as such policies could ultimately be detrimental to a rapidly growing community. However, prudence, need, affordability, and rating agency guidelines are always important factors in the decisions to borrow money for improvements to the City.

The Debt Schedules Tab section of this document indicates the amount of outstanding debt the City currently has as well as the current principal and interest payment requirements.

Cash Management/Investments

The City's cash management and investment policy emphasizes the goals of maintaining safety and liquidity. The primary objective of all investment activity is the preservation of capital and the safety of principal in the overall portfolio. Each investment transaction shall seek to ensure first that capital losses are avoided, whether from securities defaults or erosion of market value. The investment portfolio will also remain sufficiently liquid to meet the cash flow requirements that might be reasonably anticipated. Liquidity is achieved by matching investment maturities with anticipated cash flow requirements, investing in securities with active secondary markets, and maintaining appropriate portfolio diversification.

Receivables Policy

All financial receivables of the City are accounted for, aged, and collected at the earliest opportunity. Water, wastewater, and garbage billings are due within sixteen days of the billing date. Property taxes are due by January 31 of each year. Delinquent receivables are processed expediently and collection agencies are utilized appropriately.

Payables Policy

All payables for incurred expenses are accounted for, aged, and paid at the latest permissible time to maximize the City's investment earning capability. All applicable discounts are taken.

Purchasing Policy

The City utilizes the competitive bidding process, the competitive quote process, intergovernmental cooperative buying, and other prudent purchasing methods to insure that the best value is obtained for products and services.

Authorized Purchases Policy

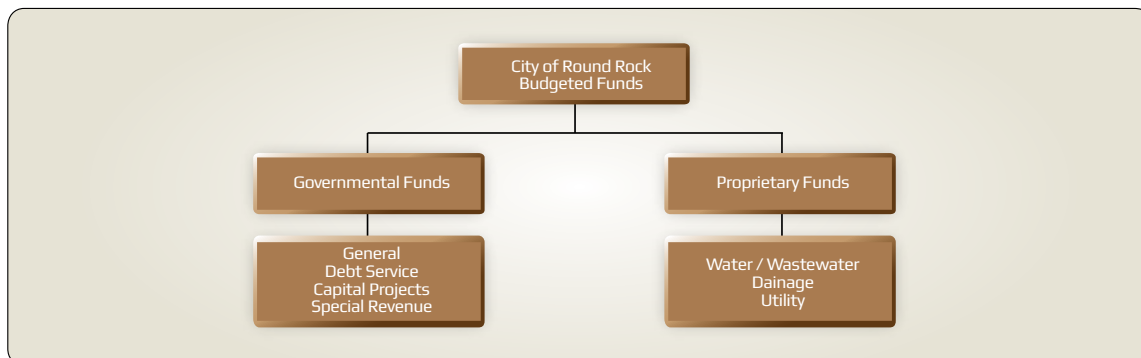
The 2015/16 adopted budget included an Authorized Purchases list that considered certain planned purchases as approved in advance by Council. This policy allows the City Manager to approve items as listed without going back to Council under certain conditions.

- Routine equipment and technology purchases as included in the budget and the budget list are considered approved by Council, unless:
 - o Item is \$200,000 or greater,
 - o Item contains a contract requiring the Mayor's signature;
 - o Purchase deviates from the original purchase as designated on the list;
 - o Cost exceeds the greater of 10% or \$10,000; or
 - o Council has designated that item (s) come back for approval
- Capital projects and funding agreements will be presented to Council

Summary of the City Fund Accounting Structure

As depicted in the chart below, budgetary accounting for City financial activities is reflected within two major fund groups: Governmental funds and Proprietary funds. All funds described are governed by annual appropriations except for capital projects funds, as further discussed in this section.

Round Rock Fund Structure



Governmental Funds

The governmental funds are used to account for general government operations and include the General Fund, Debt Service funds, Special Revenue funds, and Capital Projects funds. The City utilizes a full-cost approach to budgeting all of its services, which results in limited inter-fund transfers.

General Fund

The General Fund is the Primary fund for core government services and is used to account for all resources not required to be accounted for in another fund and not otherwise devoted to specific activities. Most of the financial transactions for the City are reported in this fund. Only one General Fund exists and it finances the operations of basic City services such as police, fire, library, transportation, parks, recreation, municipal court, community planning/development/zoning, and administration. The services provided by the City are classified according to activity and presented as operating departments in the budget.

Debt Service Funds

This fund type is used to account for resources used to service the principal and interest on long-term debt such as general obligation bonds, revenue bonds, certificates of obligation and tax-exempt leases classified as debt.

Special Revenue Funds

This fund type is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds

Capital Projects funds are used to account for resources restricted for the acquisition or development of major capital equipment and structures. Financing sources are usually provided by transfers from other funds, bond issue proceeds or grants-in-aid. Capital projects are generally tracked on a project-length basis. That is, upon project authorization, the required financing is not appropriated on an annual basis (or any other period-length basis), but is approved at the outset of the project.

Proprietary Funds

Proprietary funds are used to account for the City's activities that are similar to commercial enterprise accounting. The City's pre funds consist of the Utility Fund for water and waste water and the Drainage Fund.

Water/Wastewater/Drainage Utility Fund

These funds account for water, wastewater, water reuse, and drainage utility operations that are financed on a cost of service bases through rates and user fees.

Basis of Budgeting and Basis of Accounting

All fund structures and accounting standards of the City of Round Rock are in compliance with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and other recognized professional standards.

Governmental funds revenues and expenditures are recognized on the modified accrual basis. Modified accrual basis means that revenue is recognized in the accounting period in which it becomes available and measurable while expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Because the appropriated budget is used as the basis for control and comparison of budgeted and actual amounts, the basis for preparing the budget is the same as the basis of accounting.

Proprietary fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable while expenses are recognized in the period incurred, if measurable. The basis for preparing the budget is the same as the basis of accounting except for principal payments on long-term debt and capital outlay which are treated as budgeted expenses and depreciation which is not recognized as a budget expense.

Budget Amendment Process

Development of a spending plan during periods of economic change can reveal difficulties in accurate forecasting. Accordingly, the budget amendment process is a very important tool. If community needs develop faster or in a different way than anticipated, then the budget amendment process would be used to provide a funding and spending plan for those needs.

Once the need for an amendment has been determined, the City Manager, Chief Financial Officer and department heads develop the additional funding needs for specific projects or programs. The funding recommendations are presented along with the spending requirements to the City Council for consideration. Amendments to the budget require two separate readings by the City Council prior to adoption.

Budget amendments which increase the total expenditures of a particular fund are typically funded by growth related revenue, spending reductions in other areas, or from cash reserves.

